

The High Costs of Healthcare in the United States

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Imagine being forced to choose between life-saving medication and rent, a reality for millions of Americans as the United States healthcare system remains the most expensive globally. The US spends nearly twice as much on healthcare as other developed nations. According to the 2022 report from the Commonwealth Fund, the US spends 18.3% of its GDP on healthcare in comparison to countries like the United Kingdom spending 10.2%.¹ This staggering cost disparity is driven by several factors: the lack of drug regulation in the pharmaceutical industry, the absence of a universal health system leading to high premiums and insurance negotiations, and the profound effects on patients who find healthcare inaccessible due to unaffordability. These issues collectively strain the economy, restrict access to necessary medical care, and place heavy financial burdens on families. These factors create a healthcare system that is both inefficient and inequitable.

Unlike many other wealthy countries, the US government does not regulate drug prices, allowing private pharmaceutical companies to set their high prices for drugs, leading to excessive costs for medication and unaffordable for most. According to the Assistant Secretary for Planning and Evaluation (ASPE) 2022 report, brand drug prices in the US exceed those in other countries by over 400%.² Furthermore, the gap grows over time as US drug prices skyrocket as American pharmaceutical companies continue to develop new drugs and have early market access. The manufacturing prices often used for comparison don't accurately reflect the net price, not including negotiated amounts and discounts. However, even with the negotiated total, the gross price of drugs is still significantly higher in the US than in other countries, around 300% higher, with the consideration of rebates and discounts.³ In the US, the average price of insulin is \$100, five times higher than in Chile's \$20 and 10 times higher than Germany's \$10, highlighting the disparity between developed nations.⁴ Unlike the US, many countries utilize different policies to control the spending on prescription drugs, like regulating prices charged by drug manufacturers. While pharmaceutical companies justify high drug prices, citing research and development (R&D) costs and the high value of treatment, this explanation fails to account for the high-profit margins incorporated into these prices. The average cost of the R&D phase for a new drug is from one to two billion dollars, which doesn't fully explain the excessive markups seen in the US market. The research and developmental phase covers discovery, development, clinical trials, and crucial testing, but the lack of price regulation allows

¹ Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams, II, "U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes," Commonwealth Fund, last modified January 31, 2023, accessed July 7, 2024,

<https://www.commonwealthfund.org/publications/issue-briefs/2023/jan/us-health-care-global-perspective-2022>.

² "Comparing Prescription Drugs in the U.S. and Other Countries: Prices and Availability," ASPE | Office of the Assistant Secretary for Planning and Evaluation, last modified January 21, 2024,

<https://aspe.hhs.gov/reports/comparing-prescription-drugs>.

³ "Comparing Prescription," ASPE | Office of the Assistant Secretary for Planning and Evaluation.

⁴ "The Astronomical Price of Insulin Hurts American Families," RAND, last modified January 6, 2021, <https://www.rand.org/pubs/articles/2021/the-astronomical-price-of-insulin-hurts-american-families.html>.

for prices to exceed far beyond necessity. In the UK, drug prices are regulated by the National Institute for Health and Care Excellence (NICE), conducting health technology assessments to determine the cost-effectiveness of new drugs before the National Health Service (NHS) covers them, forcing manufacturers to control prices. The Statutory Scheme in the UK is when the government sets a maximum price for a drug's research, development, and profit margin. The UK also holds price transparency by disclosing NICE-reviewed drugs in a monthly Drug Tariff.⁵ Implementing similar regulatory measures and price transparency, such as capping drug prices and cost-effectiveness assessments, as practiced in the UK, could significantly help lower US prescription drug prices, making them more affordable and accessible.

High premiums and insurance negotiations in the US are driven by the lack of a universal healthcare system, which significantly contributes to the high costs of healthcare. For example, in France, which has universal health coverage, the average copayment for a primary care visit is around one euro.⁶ In the US, with a primarily private healthcare system, the average price of a primary care visit is over \$150, even with insurance. Many well-developed countries, such as the UK, Canada, Germany, France, etc., have a universal healthcare system. Specifically, the UK has the National Health Service (NHS), which provides healthcare coverage for all residents. The unreasonable prices of drugs are shifted to the insurance companies, shifting costs onto consumers through increased premiums. Pharmaceutical companies negotiate discounts and rebates for profit and business, giving higher margins by increasing their initial prices. Different insurance plans vary in negotiation capabilities. Larger insurance companies have more negotiating power and can often secure lower prices for their members than smaller ones. Negotiated prices can vary widely, with some plans paying double what others pay for the same medication. With the high prices of drugs set typically in preparation for negotiations with insurance companies, uninsured patients face significant financial challenges when it comes to affording drugs. Uninsured patients lack negotiating power, making them pay inflated prices for healthcare services and medications. This financial burden is compounded by the lack of price transparency, which makes informed decisions nearly impossible.

In comparison to the US, the UK spends 10.2% of its GDP on healthcare, nearly half the 18.3% spent by the US.⁷ The NHS in the UK is publicly funded by taxation and National Insurance contributions, which crucially helps control costs.⁸ After negotiated amounts through private insurance, Americans still pay more than several times as much as other patients in other countries. The absence of universal healthcare in the US results in severely inflated drug prices and limited access, while countries with universal healthcare systems control costs and ensure equitable access to care. The high costs of drugs in the US carry great effects on all

⁵ Sarosh Nagar, Leah Z. Rand, and Aaron S. Kesselheim, "What Should US Policymakers Learn From International Drug Pricing Transparency Strategies?," *AMA Journal of Ethics*, last modified November 2022, accessed July 7, 2024, <https://journalofethics.ama-assn.org/article/what-should-us-policymakers-learn-international-drug-pricing-transparency-strategies/2022-11>.

⁶ Roosa Tikkanen et al., "International Health Care System Profiles: France," Commonwealth Fund, <https://www.commonwealthfund.org/international-health-policy-center/countries/france>.

⁷ Gunja, Gumas, and Williams, "U.S. Health," Commonwealth Fund.

⁸ "The NHS budget and how it has changed," King's Fund, last modified June 18, 2024, accessed July 7, 2024, <https://www.kingsfund.org.uk/insight-and-analysis/data-and-charts/nhs-budget-nutshell#:~:text=The%20vast%20majority%20of%20public.as%20prescriptions%20and%20dental%20treatment>.

patients, often leading to significant financial difficulty and limited access to necessary healthcare. As a result of the high drug prices, according to the Kaiser Family Foundation (KFF), around 28% of adults in the US report difficulty in affording prescription drugs.⁹ Another 31% of adults reported having opted to skip or opt for reducing their prescribed medication dosages due to the high costs. The concerning high costs of prescription drugs force a significant portion of the population to decide between the sacrifice of financial stability and their health. Skipping prescribed drugs can lead to worsening conditions and higher costs further along. For most US states, there is no limit to the high out-of-pocket costs. For example, they will be capped when out-of-pocket costs have been met internationally. In 2010, the Affordable Care Act was enacted, significantly improving healthcare affordability. Most notably, the act helped cover millions of low and middle-income Americans, resulting in a decrease in adults who reported not taking a prescribed drug due to high costs. Despite these improvements, many Americans still face drug prices several times higher than those in other countries, increasing the overall expense of healthcare in the US. The financial strain on families from healthcare is prominent and disproportionately affecting low-income individuals and minorities, highlighting the healthcare inequity and inequality.

The rising healthcare costs in the US reveal significant inefficiency and inequity within the system. The significant difference in healthcare spending in the US compared to other countries underscores the financial strain on Americans driven by unregulated drug prices and the lack of universal healthcare, ultimately limiting access to medical care. Reforming the US healthcare system requires implementing universal coverage and regulated drug prices. Drawing from international models, these changes could make healthcare more accessible and equitable while reducing the financial burden on Americans.

⁹ Alex Montero et al., "KFF Health Tracking Poll July 2023: The Public's Views Of New Prescription Weight Loss Drugs And Prescription Drug Costs," KFF, last modified August 4, 2023, <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-july-2023-the-publics-views-of-new-prescription-weight-loss-drugs-and-prescription-drug-costs/>.

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